

FISCAL NOTE

HB 562 - SB 1018

February 26, 2001

SUMMARY OF BILL: Amends TCA 67-8-104 by deleting the distinction between Class A and Class B beneficiaries and providing all beneficiaries with a \$10,000 exemption. Proposes an annual cost of living adjustment to the standard exemption based on the increase of the current year consumer price index over the 1992 consumer price index. Under existing law, there are two different levels of exemptions for gift taxes:

- Class A beneficiaries (primarily immediate family) are currently entitled to a \$10,000 per recipient exemption.
- Class B beneficiaries are currently entitled to a \$3,000 per recipient exemption.

The standard exemption for a Class A recipient is currently increased each year by the same amount that the annual exclusion amount for federal gift taxation purposes increases.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$1,000,000

Increase State Expenditures - \$27,000 One-Time

Estimate assumes:

- 50% of Class B gift tax revenue would be lost as a result of passage of the bill.
- A one-time increase in state expenditures of \$27,500 to modify existing MIS systems.

For information purposes, total Class B gift tax collections for FY99-00 was \$1,806,000; \$3,416,000 for FY98-99, and \$3,009,000 for FY97-98.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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